

## Message Text

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ACTION EB-08

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TAGS: EINV, EIND, EFIN  
SUBJECT: INVESTMENT CLIMATE REPORT

REF: A) 77 STATE 244738 B) STATE 077432 :C) STATE 131449

1. GUINEA-BISSAU, A NEWLY INDEPENDENT, SMALL, UNDER-DEVELOPED AGRARIAN STATE, IS DEPENDENT ON THE EXPORT OF GROUNDNUTS, PALM KERNELS, CASHEW NUTS, SESAME SEEDS AND, MORE RECENTLY FISH AND SHRIMP TO EARN FOREIGN EXCHANGE. SUFFERING FROM THE EFFECTS OF A YEAR-LONG DROUGHT, THE NATION'S DEVELOPMENT EFFORTS HAVE BEEN HINDERED, TO DATE, BY A DIVERSION OF RESOURCES TO MEET THE CRISIS. THE NATION'S LEADERSHIP HAS BECOME INCREASING PRAGMATIC SINCE INDEPENDENCE IN 1974. THE NORMAL PROBLEMS FACING NEW NATIONS HAVE BEEN COMPOUNDED AND MAGNIFIED BY

THE RESULTS OF THE CLIMATIC FAILURE. THE GOVERNMENT, UNDERSTANDABLY, HAS HAD LITTLE FREE TIME TO INVESTIGATE OR PROMULGATE LAWS FOR FOREIGN INVESTMENT, ALTHOUGH IT HAS PUBLICLY ANNOUNCED ITS INTENTION OF DOING SO,

2. THE ECONOMY OF GUINEA-BISSAU IS PREDOMINANTLY AGRICULTURAL, AND, ALTHOUGH CASH CROPS ARE GROWN FOR EXPORT AND DOMESTIC MARKETS, SUBSISTENCE FARMING STILL PREDOMINATES.

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3. THE INDUSTRIAL SECTOR CONSISTS OF A MODERN BREWERY AND SOFT DRINK PLANT, A FRUIT JUICE AND JAM FACTORY, A TILE AND BRICK FACTORY, A SHIRT-MAKING FACTORY AND SEVERAL SMALL SUGAR CANE DISTILLERIES.

4. IN THE SOUTHERN PART OF THE COUNTRY, THERE ARE

BAUXITE DEPOSITS ESTIMATED AT FROM 100 TO OVER 300 MILLION TONS OF EXPORT-QUALITY ORE, NO DETAILED GEOLOGICAL SURVEY HAS BEEN MADE OF THE WHOLE COUNTRY.

5. GUINEA-BISSAU HAS NUMEROUS RIVERS THAT COULD BE UTILIZED FOR IRRIGATION AND HYDROELECTRIC POWER. THERE ARE CURRENTLY PLANS TO ESTABLISH A THERMOELECTRIC GENERATING PLANT NEAR BISSAU AND A HYDROELECTRIC GENERATING PLANT ON THE CORUBAL RIVER.

6. ALTHOUGH INDUSTRIAL DEVELOPMENT IS NOT A MAJOR OBJECTIVE, THE GOVERNMENT IS DEVELOPING AN INDUSTRIAL COMPLEX AT CUMERE NEAR BISSAU. THE COMPLEX WILL INCLUDE A GROUNDNUT OIL/PALM OIL/SOAP FACTORY WHICH WILL BE ABLE TO PROCESS MOST OF THE COUNTRY'S GROUNDNUT PRODUCTION. THE PROJECT IS SCHEDULED FOR COMPLETION IN 1979. THE GOVERNMENT CURRENT DEVELOPMENT STRATEGY GIVES PRIMARY ATTENTION TO AGRICULTURE, TECHNICAL EDUCATION AND THE CREATION OF A TRANSPORTATION AND HEALTH INFRASTRUCTURE.

7. TWO LARGE STATE TRADING COMPANIES, THE PEOPLE'S STORES (ARMAZENE DO POVO) AND SOCOMI, UNCLASSIFIED

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DOMINATE THE DISTRIBUTION SECTOR. THESE TWO FIRMS ARE THE PRINCIPLE IMPORTERS AND DISTRIBUTORS OF STAPLE GOODS AND PURCHASERS AND EXPORTERS OF EXPORT COMMODITIES.

8. THE GOVERNMENT HAS NOT DISCOURAGED FOREIGN INVESTMENT BUT DOES NOT, AS YET, HAVE AN INVESTMENT CODE OR FIRM IDEAS ON HOW THEY SHOULD PROCEED.

9. GUINEA-BISSAU HAS LITTLE SKILLED OR EVEN SEMI-SKILLED LABOR AVAILABLE.

10. ONCE GUINEA-BISSAU IS ABLE TO FEED ITSELF AND RECOVERS FROM THE EFFECTS OF THE CURRENT DROUGHT, THE GOVERNMENT WILL BE ABLE TO FOCUS ON INFRASTRUCTURAL AND ECONOMIC DEVELOPMENT AND WILL, WE THINK, BE AMENABLE TO FOREIGN INVESTMENT IN SELECTED AREAS. MARKS

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